



General Assembly

February Session, 2002

Raised Bill No. 5769

LCO No. 2689

Referred to Committee on Appropriations

Introduced by:
(APP)

AN ACT CONCERNING THE PURCHASE OF ADDITIONAL CREDITED SERVICE IN THE TEACHERS' RETIREMENT SYSTEM, THE EXCESS EARNINGS ACCOUNT AND THE EARLY RETIREMENT INCENTIVE PROGRAM.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Subsection (c) of section 10-183e of the general statutes is
2 repealed and the following is substituted in lieu thereof (*Effective July*
3 *1, 2002*):

4 (c) Additional credited service must be purchased by a member (1)
5 [at] prior to the time of retirement, [or] (2) at the time a surviving
6 spouse elects benefits under the provisions of subsection (d) of section
7 10-183h, or (3) at the time benefits commence [under an optional
8 payment form pursuant to section 10-183j. Any purchase of service
9 shall be accomplished by the member paying to the board an amount
10 equal to one-half of the actuarial present value, determined according
11 to actuarial tables adopted by the board, of the difference between the
12 retirement benefit which the member is entitled to receive based upon
13 his or her service apart from such purchased service and the benefit
14 which he or she is entitled to receive including such service] as

15 provided under sections 10-183g, as amended by this act, and 10-183jj,
 16 as amended by this act. Any purchase of such service shall be
 17 accomplished by the member paying to the board an amount
 18 determined on the basis of actuarial factors adopted by the board
 19 which reflect the present value of one-half of the full actuarial cost of
 20 the benefit increase that will be derived by the purchase of such
 21 service. Such factors shall consider the member's age at the time of
 22 purchase, actual or projected salary, and the earliest date on which the
 23 member would be eligible for a normal retirement allowance.
 24 Payments for additional credited service may be made in a lump sum
 25 by transfer of funds from the member's accumulated one per cent
 26 contributions withheld prior to July 1, 1989, with credited interest and
 27 accumulated voluntary contributions with credited interest plus such
 28 other amounts as may be required to complete the purchase.

29 Sec. 2. Subsection (m) of section 10-183g of the general statutes is
 30 repealed and the following is substituted in lieu thereof (*Effective July*
 31 *1, 2002*):

32 (m) If the plan actuaries have certified in accordance with
 33 subsection (n) of this section that the amount of the [excess earnings
 34 account] cost of living adjustment reserve account which is available
 35 for payment of a cost of living allowance is insufficient to fund the full
 36 amount determined under subsection (l) of this section, each person
 37 eligible for an annual cost of living allowance under said subsection (l)
 38 shall be eligible for a cost of living allowance reduced proportionately
 39 to a percentage that is actuarially supported by the amount so
 40 certified, in lieu of the cost of living allowance provided under said
 41 subsection (l), provided no cost of living allowance shall exceed six per
 42 cent and provided further, if the total return earned by the trustees on
 43 the market value of the pension assets for the preceding fiscal year is
 44 less than eight and one-half per cent, any cost of living allowance
 45 granted shall not exceed one and one-half per cent.

46 Sec. 3. Subsection (n) of section 10-183g of the general statutes is

47 repealed and the following is substituted in lieu thereof (*Effective July*
48 *1, 2002*):

49 (n) To administer cost of living allowances provided under
50 subsections (l) and (m) of this section, there is established the [excess
51 earnings account] cost of living adjustment reserve account which shall
52 be a separate account established within the Teachers' Retirement
53 Fund. For the calendar year commencing January 1, 1995, and each
54 subsequent calendar year, the [excess earnings account] cost of living
55 adjustment reserve account shall be credited by an amount equal to
56 that portion of the total return earned by the trustees on the market
57 value of the pension assets for the preceding fiscal year which is a total
58 return in excess of eleven and one-half per cent. The [excess earnings
59 account] cost of living adjustment reserve account shall be reduced
60 each year by the actuarial value of any cost of living allowance
61 awarded. On May first, annually, the plan actuaries shall determine
62 how much of the [excess earnings account] cost of living adjustment
63 reserve account balance is available for payment of a cost of living
64 adjustment determined in accordance with the provisions of this
65 section and shall certify their determination to the trustees of the
66 Teachers' Retirement Fund. If the plan actuaries determine that there
67 are no funds available in the [excess earnings account] cost of living
68 adjustment reserve account for the payment of a cost of living
69 allowance, no cost of living allowance shall be paid.

70 Sec. 4. Subsection (e) of section 10-183jj of the general statutes is
71 repealed and the following is substituted in lieu thereof (*Effective July*
72 *1, 2002*):

73 (e) For each year of additional credited service purchased pursuant
74 to this section, the local or regional board of education shall pay an
75 amount specified by the Teachers' Retirement Board equal to the
76 actuarial present value, determined according to actuarial tables
77 adopted by the Teachers' Retirement Board, of the difference between
78 the retirement benefit which the member is entitled to receive based

79 upon [his or her] the member's service apart from such purchased
80 service and the benefit which [he or she] the member is entitled to
81 receive including such service. Payments shall be made in accordance
82 with rules adopted by the Teachers' Retirement Board. Such payments
83 must be received not later than thirty days following the date payment
84 is requested or interest shall be assessed from the date on which such
85 payment was due to the date on which such payment was received.
86 When a board of education purchases additional credited service for a
87 member pursuant to this section, the Teachers' Retirement Board shall
88 notify the member in writing. Payment for additional service credit
89 purchased pursuant to this section may be made in equal annual
90 installment payments, including interest, not to exceed the number of
91 years being purchased by the local or regional board of education. Late
92 payments and outstanding obligations from a prior year's purchase or
93 late payment of monthly mandatory contributions shall be paid in full
94 prior to the initiation of a new early retirement incentive plan or such
95 amounts shall be included as part of the cost of the new early
96 retirement incentive plan. Interest shall be assessed on installment
97 payments and late payments as provided by subsection (b) of section
98 10-183n. Any additional credited service purchased for any such
99 member shall be in addition to any credited service purchased
100 pursuant to section 10-183e, as amended by this act.

This act shall take effect as follows:	
Section 1	July 1, 2002
Sec. 2	July 1, 2002
Sec. 3	July 1, 2002
Sec. 4	July 1, 2002

Statement of Purpose:

To change the time for the purchase of additional credited service, to rename the excess earnings account as the cost of living adjustment reserve account and to establish payment dates and interest charges for additional credited service purchased on behalf of a member by a local or regional board of education. Requested by the Teachers' Retirement Board.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]